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SUBJECT: HOLLYWOOD STUDIO INCHES CLOSER TO FILM CENTER DEAL

SUMMARY. After a year-long tender process and sustained Embassy advocacy, privatization of Bulgaria's state film center by NuImage - a U.S. film production company - has been approved by The Privatization Agency's Supervisory Board. While several administrative steps remain, Hollywood-based NuImage hopes to take physical control of the studio by mid-year. END SUMMARY

¶1. NuImage was one of three final bidders for Boyana Film Center. It offered the highest bid, a total of EUR 6.250 M (BGN 12.2 M) and vowed first-year investments of EUR 11.4 M out of a total EUR 15.6 M in investment plans. Compensation instruments will be paid for 30% of the shares. Following the initialing of the Privatization Agreement in August, the contract was revised to include new conditions imposed by the Bulgarian Government. Under the terms of the contract, NuImage is obliged to keep the film center intact and operating for twenty years. "The privatization complies with all legal requirements," Teodor Stoev, chairman of the supervisory council of the privatization agency, told the Bulgarian National TV channel. He called the deal the most restrictive that he has ever seen. The "20-year" clause was introduced specifically to prevent the buyer from selling off the studio's valuable real estate.

¶2. The Embassy has provided advocacy support at every step of the process by pressing the Government to follow its own procedures under the Privatization law. While the Supervisory Board's approval of the deal is a major milestone in this lengthy and often non-transparent process, the deal is still subject to additional administrative steps that could present new opportunities for mischief by the critics of the deal.

¶3. The main opponents were the studios current managing board, which has operated with little government oversight, as well as parts of Bulgaria's film-making community. A number of film makers object to the "action" genre films that NuImage specializes in, and have also enjoyed access to the studios facilities. We expect this group to continue efforts to derail the deal. On the flip side, NuImage has developed support from the production community and regularly employs hundreds in technical positions. "Black Dahlia" a 50-million-dollar production directed by Brian DePalma and scheduled for release later this year, was filmed in Bulgaria by NuImage in 2005.

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